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UNCLAS SECTION 01 OF 05 BRIDGETOWN 000319

SIPDIS

SENSITIVE
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DEPT FOR WHA/CAR
SANTO DOMINGO FOR FCS
SOUTHCOM ALSO FOR POLAD

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SUBJECT: THE WINDIES - SPOT REPORTS FROM THE EASTERN
CARIBBEAN - JANUARY 2006

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REGIONAL

- Regional Trade Body to Increase Private Sector Outreach
1. (U) The Barbados-based Caribbean Regional Negotiating Machinery (CRNM) announced that it is expanding its private sector outreach program, beginning in January with a dialogue that will bring together the private and public sectors in St. Kitts. The CRNM will also teach the private sector how to become more involved in trade policy and take advantage of trade opportunities. USAID provides assistance

to the CRNM, although the Inter-American Development Bank (IDB) is funding this particular project.

¶2. (SBU) Comment: Private sector contacts in the region have often complained to Post that they have little input in their governments' trade policies. This CRNM project could help reverse protectionist policies in the Caribbean as the region's private sector (except for protected industries) is generally more open to liberalizing trade than governments. End Comment.

- EU Approves US\$19 Million in Banana Aid

¶3. (U) The European Union (EU) has approved nearly US\$19 million to help Eastern Caribbean banana-producing countries diversify their economies. St. Lucia will receive US\$7.4 million, St. Vincent and the Grenadines US\$5.4 million, Dominica US\$5.4 million, and Grenada US\$600,000. (Note: The EU divided the money roughly in proportion to the size of each island's banana crop.) The EU plans to fund computer training and business development. This aid is part of a larger EU fund to help African Caribbean and Pacific (ACP) banana producers adjust to declining EU trade preferences.

ANTIGUA AND BARBUDA

- New Machine-Readable Passport Introduced

¶4. (U) On January 16, Prime Minister Baldwin Spencer became the first recipient of the new Antigua and Barbuda machine-readable passport with the Caribbean Community (CARICOM) logo. The new document design has features to meet

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international security requirements and includes the CARICOM logo on the cover to signify Antigua and Barbuda's commitment to regional integration. The PM's wife, Jacklyn, and the Governor General, Sir James Carlisle, also received the new documents, slated to be made available to new passport applicants later in the month, while holders of valid passports were directed to continue using their old passports until the phase-out process for the old document is announced.

- Giorgio Armani Purchases House in Antigua

¶5. (U) In early January, Italian fashion designer Giorgio Armani purchased a house in Antigua. The Baldwin Spencer administration has refused to identify the location of the property but said that Armani has been a frequent visitor to the tiny Caribbean island on his yacht. Tourism Minister Harold Lovell said Armani's decision could only prove beneficial to an island which is marketed as a mid- to up-market destination. "The spin-offs are tremendous for our economy and we endeavor to continue to lift our product to attract such clientele," Lovell said.

BARBADOS

- Major Drug Bust

¶6. (U) Barbados police made a major drug bust on January 5, seizing more than \$5 million (US\$2.5 million) worth of marijuana. Some 51 bales of the drug were seized, weighing 1,994.5 pounds. Inspector Barry Hunte of the Royal Barbados Police Force told reporters that the police operation was part of a joint initiative including the Drug Squad, Coast Guard and Police Marine Unit. According to Hunte, Drug Squad personnel observed a group of persons on Worthing's Beach Christ Church (a highly frequented tourist beach in a densely populated part of the island) unloading several bales off a vessel at night. On being approached, members of the group fled. Drug Squad personnel subsequently seized

the marijuana and the boat: no arrests have been made.

DOMINICA

- Government Workers Laid Off, According to IMF Program

¶7. (U) The Government of Dominica laid off the first of 100 workers who will lose their jobs between January and May 2006. The move comes as part of the ongoing implementation of the country's IMF economic stabilization program, which includes cutting public spending by 15 percent. In 2003, the government announced plans to lay off ten percent of its 3,000 workers. This downsizing has been accomplished, in part, through the privatization of certain government functions; several companies have won contracts to provide services such as maintenance for public buildings so long as they hire laid-off workers.

¶8. (SBU) Comment: The reduction of the number of public sector employees is further indication of the seriousness with which Prime Minister Roosevelt Skerrit has taken the IMF stabilization program. The PM, recognizing the dire economic condition of his small country, has consistently made a number of politically difficult decisions that follow the IMF's recommendations. Many of his countrymen also appear to understand that some belt-tightening is necessary as they returned the popular PM to office last year. End comment.

GRENADA

- New Income Tax Begins Despite Opposition

¶9. (U) The Government of Grenada has begun phasing in a five percent tax on income over EC\$1000 per month (US\$370). The

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tax will be phased in at the rate of three percent for the first six months of the year, rising to five percent in July. Labor unions and the political opposition have vehemently opposed the tax; several hundred Grenadians demonstrated against the levy on January 20. Turnout, however, was much lighter than anticipated as many Grenadians appear to understand the need for additional government revenues as the country continues to "Build Back Better" after Hurricanes Ivan (2004) and Emily (2005).

ST. LUCIA

- Controversial Parliamentarian Resigns Seat

¶10. (U) The resignation from Parliament of the leader of a small, third party will cause St. Lucia to hold a by-election in advance of national elections that are expected by the end of the year. The MP, Sarah Flood-Beaubrun, leader of the small Organization for National Empowerment (ONE), resigned her parliamentary seat in protest over electoral rules that favored the country's two main parties, the ruling St. Lucia Labor Party (SLP) and opposition United Workers' Party (UWP), at the expense of her third party. Flood-Beaubrun has said that she intends to run again for the seat in the by-election, a date for which has yet to be set. The SLP and UWP are in the process of selecting their candidates for the by-election.

¶11. (SBU) Political observers believe that Flood-Beaubrun resigned her seat with the hope of joining the opposition UWP and being named its deputy leader. The opposition leader, former Prime Minister John Compton, has not acceded to her demands. This situation appears likely to keep the

opposition divided in the run-up to national elections later this year.

- Government Reaffirms Support for PetroCaribe

¶12. (U) Prime Minister Kenny Anthony reaffirmed his government's commitment to take part in PetroCaribe, despite recent criticism of the Venezuelan oil initiative by opposition leader and former Prime Minister John Compton. PM Anthony said in January that his government would soon begin further discussions with Venezuela regarding implementation of the agreement. Anthony also called upon Prime Minister Patrick Manning of Trinidad to be more sensitive to the energy needs of the island states of the Eastern Caribbean, saying the smaller nations were forced to turn to Venezuela after Trinidad failed to offer the region oil at affordable prices.

¶13. (SBU) Comment: St. Lucia's recent public support for PetroCaribe comes after a period during which PM Anthony appeared particularly cool to the plan in comparison to other leaders in the region. Last year, the PM told a regional oil executive that his country did not need the Venezuelan oil initiative. Anthony may, however, have changed his mind and be positioning St. Lucia to take advantage of PetroCaribe. A few shipments of fuel to the island under PetroCaribe's concessionary financing could help his ruling party in upcoming elections, as it did the ruling party in St. Vincent's December 2005 election. Also, PM Anthony's assumption that Trinidad should offer his country discounted oil is another example of how Eastern Caribbean governments have come to expect aid from all quarters, even fellow developing countries in CARICOM. End comment.

- Air Jamaica Returns to St. Lucia

¶14. (U) After a one-year absence due to financial troubles, Air Jamaica announced in January that it would reinstate its thrice-weekly New York-St. Lucia route on February 23. The President of the Caribbean Hotel Association observed that the return of Air Jamaica to St. Lucia would help achieve the government's forecast of 300,000 visitors from the United States market this year. The New York area is one of the largest sources of tourists traveling to St.

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Lucia.

- St. Lucia Banana Exports at Record Low

¶15. (U) Exports of bananas from St. Lucia fell to a record low in 2005 as increased competition forced more farmers out of the industry. St. Lucia exported 30,970 tons (28,096 metric tons) of the fruit, a 28 percent decline from 2004. Exports hit a high of 133,777 tons (121,360 metric tons) in 1990 and have been dropping ever since. There are now fewer than 2,000 banana farmers in the country, compared to more than 10,000 in the early 1990s.

¶16. (U) A local commentator who studies the banana industry said economic uncertainty over EU preference reductions, unfavorable weather, and leaf spot disease all contributed to the decline in production. (Note: The EU's system of tariffs and quotas had favored former colonies in the Caribbean and Africa over large-scale growers in Latin American. The Latin Americans (backed by the U.S.) successfully argued to the WTO that the arrangement was unfair, forcing the EU to reduce its banana trade preferences for African and Caribbean countries. End Note.)

ST. VINCENT AND THE GRENADINES

- Opposition to Take Election Officials to Court

¶17. (U) The opposition New Democratic Party (NDP) wants criminal charges filed against election officials who

allegedly committed electoral fraud in St. Vincent's December 2005 national election. The ruling Unity Labor Party (ULP) won 12 of 15 seats, maintaining the same number of seats as before the voting. The NDP had threatened to file suit challenging the results in three constituencies it lost to the ULP by only a handful of votes, but said recently that its lawyers had advised against taking this action. Instead, the party hopes to punish several election officials it has publicly identified as being responsible for destroying ballots and committing other abuses.

¶18. (SBU) Comment: The NDP backing down from its earlier threat to challenge the election results raises questions about the validity of the party's charge that significant irregularities occurred. This development suggests that the ruling ULP did not steal the election, or even a few parliamentary seats, as the opposition claimed. Instead, a few overzealous ULP supporters may have committed electoral abuses that they could now be held accountable for. End comment.

- International Airport Plan Moves Ahead

¶19. (U) The Government of St. Vincent (GOSV) reported progress toward the construction of a new international airport to be built with the assistance of the Governments of Venezuela and Mexico. Engineers from the two countries have been conducting preliminary surveys of the airport site in advance of construction. The GOSV, meanwhile, has identified an area to which residents currently living on the site would be relocated. The design of the new airport is due to be finalized this year and construction will begin in 2007. The project is slated for completion in 2011 at a cost of US\$180 million. Until then, the GOSV plans to spend several million dollars on improvements to its existing airport, which is considered substandard for what St. Vincent hopes will be a growing tourism industry.

- PM Gonsalves Presents US\$214.8 Million Budget

¶20. (U) Prime Minister Ralph Gonsalves presented a US\$214.8 million budget to Parliament, the centerpiece of which is a proposal to introduce a value added tax and excise tax while also improving the Government's tax administration. The PM also pledged to reduce the number of duty-free concessions, which cost the Government an estimated US\$1.6 million in ¶2005. Gonsalves said much of the budget would go to fund public works projects, including a new airport (see previous paragraph). The PM estimated economic growth at 4.5 percent in 2005, compared to 5.4 percent in 2004 and 3.4 percent in ¶2003. In addition, Gonsalves said the public debt increased 11.5 percent in 2005 to US\$365.1 million or 85.2 percent of GDP.

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